benchmark to use in calculating the amount of high cost support.[52] The level of universal service support that eligible carriers receive will be determined by the difference between the revenue benchmark and the forward-looking costs as calculated under a Commission-approved proxy model. The benchmark would be based on a nationwide average of telecommunications-related revenues per line, including revenues from local exchange service, access service, and "discretionary" vertical services.[53] However, the Joint Board does express concern that this method may result in higher universal service costs as competition drives down local rates, and hence local revenues, and may also become problematic as the telecommunications market moves increasingly to a one-stop shopping model.[54] The Joint Board suggests further that the actual level of any revenue benchmark may depend largely on whether interstate and intrastate revenues are used to support the high cost fund.[55]

WorldCom strongly agrees with the Joint Board that a national affordability benchmark for high cost areas should be used. WorldCom believes that any national benchmark adopted by the Commission must possess several important attributes, including competitive neutrality, administrative simplicity, and a built-in mechanism that allows for definite reductions in overall high cost support over time. While the Joint Board recommends a benchmark based

---

[52] Recommended Decision at paras. 309-317.

[53] Recommended Decision at para. 310.

[54] Recommended Decision at paras. 310, 317.

[55] Recommended Decision at para. 314.

on national average revenues per line, WorldCom agrees with the Joint Board that there may be some potential concerns about this specific method vis-a-vis other alternative methods, such as a benchmark tied to nationally averaged proxy cost.[56]

If the Commission ultimately selects a national benchmark based on national average revenues per line, WorldCom agrees that it must include all local, vertical, and access revenues. The revenues collected by ILECs for vertical and access services are often overlooked by regulators (and downplayed by the ILECs) when focusing on the carrier's actual "cost" of serving its customers, especially in rural and high cost regions. Including vertical and access revenues as part of a revenues-based benchmark provides a far more accurate picture of the overall profitability of providing local telephone service. In addition, the use of two separate benchmarks (for residential and single line business service) also makes sense and should be adopted. WorldCom believes that the difference between the cost and the revenue benchmark figure, if adopted in this proceeding, should be capped by some mechanism that will effectively prevent any funding increase (and in fact allows or compels some decrease) over time. The Commission certainly should subject this cap to regular, systematic review.[57]

Finally, the Joint Board recommends that the Commission "not adopt any specific competitive bidding plan at this time," but urges the FCC and states to "continue to explore the possibility of using competitive bidding for determining the level of federal universal service

---

[56] Recommended Decision at para. 317.

[57] Recommended Decision at para. 310.

support."[58] While WorldCom shares the Joint Board's preference for a true market-based approach to universal service, WorldCom continues to oppose the adoption of any competitive bidding proposals, at least at this time.[59] In particular, the GTE proposal outlined in this proceeding appears to assume the presence of multiple competitors in each and every local market, a market structure that obviously is still many years away.[60] However, the Commission and states should reevaluate this conclusion at some point in the future as local market conditions slowly begin to change in the face of increasing competition.

2. Further Questions

The Public Notice does not ask further questions on this issue.

F. Support for Low-Income Consumers

1. The Recommended Decision

The Joint Board recommends that the current Link-Up and Lifeline programs for low-income consumers be expanded to cover all states.[61] Lifeline and Link-up are to be de-linked from current subsidy recovery schemes, so that all interstate telecommunications providers

[58] Recommended Decision at para. 341.

[59] WorldCom Comments at 12-13.

[60] Recommended Decision at para. 348.

[61] Recommended Decision at para. 417.

must contribute to those programs.[62] All carriers deemed eligible under Section 214(e) can receive Lifeline and Link-Up support for their low-income customers as well.[63]

WorldCom supports these well-founded conclusions. At the same time, the Recommended Decision does not clearly indicate precisely when the reconstituted Lifeline and Link-Up programs will be initiated. WorldCom is concerned that any delay at all in implementing the new low-income support mechanisms will continue to allow the current discriminatory and anticompetitive programs to remain in place. As is the case with a proposed transitional funding plan for rural carriers in high cost areas, any low-income support mechanism adopted by the Commission must abide by the Act -- and in particular the statutory nondiscrimination principle and the competitive neutrality principle -- so that all contributors and all recipients are placed on the same competitive footing. It is patently unreasonable and unlawful, even in the near term, for interexchange carriers alone to provide low-income support. All other telecommunications carriers -- including the ILECs -- must contribute to this support mechanism as well.

For low-income consumers, the Joint Board recommends the addition of voluntary toll limitation services to the definition of universal services.[64] WorldCom supported this action in its comments as a means of assisting customers in avoiding involuntary termination of

---

[62] Recommended Decision at paras. 423, 426.

[63] Recommended Decision at paras. 424, 427.

[64] Recommended Decision at para. 384.

access to telecommunications services,[65] and urges the Commission to adopt the Board's proposal here. WorldCom also agrees with the Joint Board that carriers should be prohibited from collecting service deposits if the Lifeline end user subscribes to toll blocking.[66]

The Joint Board also favors a rule prohibiting eligible carriers from receiving universal service support for providing Lifeline service from disconnecting such service for non-payment of long distance charges.[67] WorldCom supports the narrowly-tailored disconnection rule proposed by the Joint Board as a reasonable measure in this specific instance. However, WorldCom strongly opposes an across-the-board "no disconnect" policy for all subscribers because, as argued in CC Docket No. 95-115, such a policy is unsupported by empirical evidence, does not constitute a targeted solution to telephone subscribership concerns, and would result in substantially higher toll fraud, collection, and other related expenses by all IXCs.[68] The Joint Board stresses that its recommendation should not be construed to affect the states' current ability to implement no-disconnect policies.[69] WorldCom urges the Commission to state more emphatically that nothing in its decision can be construed to require or suggest that the states can or should adopt a general "no disconnect" rule applicable to all end users.

---

[65] WorldCom Comments at 8-9; WorldCom Reply Comments at 8-9.

[66] Recommended Decision at para. 389.

[67] Recommended Decision at para. 387.

[68] Comments of LDDS WorldCom, CC Docket No. 95-115, filed September 27, 1995, at 4-8.

[69] Recommended Decision at para. 387 n.1286.

2. Further Questions

The Joint Board recommends that the Commission provide for additional federal support to the Lifeline program equal to one half any support from the states, up to a maximum of $7.00 per month in federal support.[70] However, the Board expresses concern that this recommended approach could result in the "unintended consequence" of a larger percentage of the total support being generated from federal sources without concomitant state support; as a result, the Board asks the Commission to seek additional information before implementing this recommendation.[71] In turn, the Public Notice asks what baseline amount of Lifeline support should be provided to low-income consumers, and queries whether the $5.25 amount suggested in the Recommended Decision, is "likely to be adequate." The Public Notice also asks how the "unintended consequence" of increased federal support can be avoided.

WorldCom supports a baseline amount of support broadly in the range discussed by the Joint Board. However, the Joint Board certainly is correct that the $7.00 per month approach endorsed in the Recommended Decision may in fact increase federal support without incenting similar increased assistance from state sources. WorldCom does not at this time have a solution to this problem, but continues to study this issue and remains open to other alternatives. Moreover, WorldCom wholeheartedly agrees with the Joint Board's proposal that state members report back to the Commission on related Lifeline issues prior to any Commission

---

[70] Recommended Decision at para. 419.

[71] Recommended Decision at para. 420.

action,[72] and looks forward to reviewing that report.

G. Support for Schools and Libraries

1. The Recommended Decision

The Joint Board proposes to give the schools and libraries "the maximum flexibility to purchase whatever package of telecommunications services they believe will meet their telecommunications service needs most effectively and efficiently."[73] The Joint Board also recommends discounts for Internet access (defined as the communications link to the Internet service provider (ISP), subscription to the ISP, and electronic mail), and internal connections.[74] Declining to adopt the Clinton Administration's "e-rate" proposal for all schools and libraries, the Joint Board instead recommends a discount of between 20% and 90% on services, depending on pertinent indicators of economic disadvantage and high cost for schools and libraries.[75] The Board states that the fund is to be capped at $2.25 billion per year, with carryover allowed from one year to the next.[76] To qualify for this support, schools must "self-certify" their eligibility

[72] Recommended Decision at para. 421.

[73] Recommended Decision at para. 458.

[74] Recommended Decision at paras. 462-63, 473.

[75] Recommended Decision at paras. 547, 551.

[76] Recommended Decision at para. 556.

and then competitively bid their telecommunications needs.[77] Eligibility criteria specifies that schools and libraries must meet a certain definitional test, are prohibited from reselling services, must tender bona fide requests, and must undergo audits.[78] The schools and libraries fund will be part of the single universal service fund, although with separate accounting,[79] and participating carriers may either receive direct reimbursement or take an offset against other universal service obligations.[80] Finally, the Joint Board recommends that Sections 706 and 708 of the Act, encouraging the deployment of advanced services, should be addressed by the Commission at a later date.[81]

WorldCom has significant concerns about the Joint Board's schools and libraries proposal, in particular the size of the fund, its recurring nature, and some aspects of its design. An annual amount of $2.25 billion, with no planned termination date or sliding scale to recognize future capitalization and depreciation of carriers' investments, appears to be excessive. In addition, the Board has failed to provide for a systematic review of the program every few years to ensure that all funds being provided are necessary and being used properly. Nonetheless, WorldCom does not necessarily oppose adoption of a modified version of the Joint

---

[77] Recommended Decision at para. 539.

[78] Recommended Decision at paras. 593-605.

[79] Recommended Decision at para. 611.

[80] Recommended Decision at para. 613.

[81] Recommended Decision at paras. 618-620.

Board's proposal. Indeed, WorldCom fully supports the Joint Board's recommendation that a cap be placed on the school and libraries fund as a suitable mechanism to prevent excessive expenditures. The proposed adoption of relatively strict eligibility requirements also should help ensure that all funds are being used to fulfill the intention of Congress. Further, WorldCom supports the Joint Board's recommendation that the geographic area a carrier uses to provide service equates to the area in which the service provider seeks to serve customers.[82]

However, WorldCom does not support the inclusion of inside wiring and other internal connections for universal service support. In her separate statement, Commissioner Chong articulates in great detail her own serious legal and policy concerns about including inside wiring in the "services" to be provided to schools and libraries.[83] WorldCom shares those concerns. However laudable the Joint Board's goals may be in this area, the Commission appears to lack statutory authority to require the universal service funding of inside wiring that constitutes unregulated plant or equipment, not a telecommunications service. As such, inside wiring cannot be defined as part of universal service. Apart from the serious legal problems, sound policy reasons also dictate excluding inside wiring from universal service support. By including inside wiring, there now exists a concomitant need to substantially increase funding to cover its expense. Moreover, crossing the well-established threshold into non-services such as inside wiring raises the distinct possibility that future policymakers faced with similar

[82] Recommended Decision at para. 543.

[83] Separate Statement of Commissioner Chong at 5-10.

decisions will be unable to distinguish correctly between services and non-services such as computer hardware.[84]

If the Commission nonetheless decides to mandate universal service support for inside wiring, certain safeguards must be put in place. In particular, where the ILECs install and maintain inside wiring in schools or libraries with universal service assistance, all carriers must be granted nondiscriminatory access to that wiring. Otherwise, the ILECs can be expected to install such wiring, receive the universal service offset, and then claim to control (and deny) access to any and all other service providers that attempt to use that wiring to provide services. The ILECs cannot be subsidized by other carriers to provide physical plant, and then deny those same carriers access to that wiring.

2. Further Questions

The Public Notice asks what methods the Commission should use for identifying high cost areas for determining the level of discount for schools and libraries. The Public Notice also seeks comment on any readily-available measures of economic need that could be used to identify economically disadvantaged non-public schools and libraries.

WorldCom takes no position at this time on the question of the proper method to

---

[84] Using a federal program to support inside wiring of schools by eligible communications carriers also would have a negative impact on small businesses, such as local electricians, that install and maintain such wiring in schools and libraries today. Since these companies are not classified as carriers, they would not be eligible for universal service support.

use to identify high cost areas for determining the specific discount. One potential factor to consider, however, is whether the schools are located in the high cost areas that have already been determined for "high cost" funding. For non-public schools and libraries, the national school lunch program offers well-established criteria, in the "least burdensome manner,"[85] to measure the level of economically-disadvantaged students. Where the program is not available, school and library officials could present self-certification attesting to the percentage of students that otherwise would be enrolled in the program if it was available.

H. Support for Health Care Providers

1. The Recommended Decision

The Joint Board makes several recommendations regarding the establishment and implementation of a universal service program to assist health care providers in rural areas. In particular, the Board recommends that universal service cover any telecommunications services supporting a capacity up to 1.544 Mbps or its equivalent.[86] Per the statute, support is limited to those services necessary for the provision of health care in a state.[87] Delineating the level of support as the difference between urban rates and rural rates, the Joint Board defines the urban rate as the highest publicly available rate actually being charged to commercial customers

[85] Recommended Decision at para. 564.

[86] Recommended Decision at para. 652.

[87] Recommended Decision at para. 654.

in the nearest large city, and the rural rate as the average of rates charged to commercial customers for identical or similar services in the rural county where the health care provider is located.[88] Eligibility restrictions include requirements that health care providers make bona fide requests supported by annual certifications under oath, and abide by a ban on resale.[89] The Joint Board recommends that the health care fund begin operation in June 1997.[90]

WorldCom supports most of the recommendations advanced by the Joint Board. The Joint Board's proposal that carriers support any telecommunications services with a capacity up to 1.544 Mbps appears reasonable. However, it is important that support be expressly limited to those services necessary for the provision of health care. The proposed definition of urban rates and rural rates appears reasonable as well. The eligibility restrictions delineated by the Joint Board are necessary to ensure that only statutorily-mandated universal services are eligible for support. WorldCom also advocates adoption of a cap for health care costs similar to the one proposed for schools and libraries. Finally, for the sake of convenience and administrative simplicity, WorldCom supports adopting a starting date for the health care provider program that parallels initiation of the schools fund in September 1997.

---

[88] Recommended Decision at paras. 667, 680.

[89] Recommended Decision at paras. 725-26, 735-36.

[90] Recommended Decision at para. 751.

2. Further Questions

Believing it did not possess enough information, the Joint Board declines to make a firm recommendation regarding a number of issues in this area. As a result, the Public Notice asks a series of questions concerning the proper scope of services, establishment of urban and rural rates, and support for upgrades to the public switched network.

WorldCom believes that the Commission must carefully delineate any "special" and "additional" services that will be supported for health care providers beyond the list established for high cost regions and low-income consumers.[91] The services themselves must be directly related to the provision of health care, such as video, data, and voice connections used in telemedicine (i.e., the diagnosis and treatment of illness and injury). Other telecommunications services used in a health care facility, such as Centrex service used for ordinary telephone traffic unrelated to telemedicine, should not be eligible for support.

WorldCom does not favor suggestions that the Commission require the elimination of all distance-based charges on interLATA traffic in rural or high cost areas, or the provision of toll free access to the Internet in rural areas.[92] Indeed, the FCC's newly-implemented rules governing rate integration and geographic averaging should alleviate any such concerns about

[91] 47 U.S.C. § 254(c)(3).

[92] Recommended Decision at paras. 672, 669.

disparate treatment of rates in rural and urban regions of the country.[93] WorldCom believes instead that the health care provider support mechanism should be treated the same as the mechanism used for schools and libraries, so that rural health care providers receive a discount of 20-90% (depending on economic need and location) on all telecommunications services and Internet access. These discounts should address the Commission's concern about high toll rates and non-local access to the Internet.[94] However, for the reasons discussed in Section G. above, no inside wiring or other internal connections should be eligible for support. The rural health care provider also must be required to competitively bid for services, and "self-certify" that it meets all the requirements for support.

Finally, WorldCom is concerned about the Public Notice question concerning the probable costs of supporting upgrades to public switched network or backbone networks "where such upgrades can be shown to be necessary to deliver eligible service to rural health care providers." If adopted, this proposal could significantly expand the fund to support network upgrades. WorldCom believes that much of Section 254, as well as the principle of competitive neutrality, prevents the FCC from funding specific network upgrades. Under one plausible scenario, the ILECs would attempt to modernize their facilities under the guise of universal

[93] See Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended, CC Docket No. 96-61, Report and Order, FCC 96-331, released August 7, 1996, at para. 9 (rates charged by interexchange carriers in high-cost or rural areas cannot be higher than rates charged in urban areas).

[94] Indeed, if a health care provider is able to receive bandwidth of 1.544 Mbps, it will be able to access the Internet via that connection.

service, thereby forcing other telecommunications providers to fund their network construction programs. WorldCom believes that this questions is best addressed in a future proceeding regarding "advanced telecommunication services" under Section 706 of the 1996 Act.

I. Interstate Subscriber Line Charges and Carrier Common Line Charges

1. The Recommended Decision

The Joint Board concludes that the LTS payment structure embedded in carrier common line (CCL) charges is an implicit universal service support flow that is not explicit, equitable, or nondiscriminatory, as required by the 1996 Act.[95] Therefore, the Board recommends that the LTS be removed from the existing interstate access charge regime and recovered as part of the new universal service plan.[96] The Board also recommends that the Commission not increase the current $3.50 cap on the Subscriber Line Charge (SLC) for residential and single-line business customers.[97] Further, should the Commission decide to utilize both interstate and intrastate revenues as the revenue base for the new universal service plan, the Board recommends "a downward adjustment" in the SLC cap, and that the recovery of LTS and pay telephone costs from other sources should result in equally apportioned

[95] Recommended Decision at para. 767.

[96] Recommended Decision at para. 768.

[97] Recommended Decision at para. 769.

reductions in the SLC cap and the CCL.[98]

The Board reaches no conclusion on whether the current CCL charge "represents a true universal service support flow," but recognizes the economically inefficient cost recovery nature of the usage-sensitive CCL.[99] The Board "believes it would be desirable for the Commission in the very near future to consider revising the current CCL charge structure so that LECs are no longer required to recover the NTS cost of the loop from IXCs on a traffic-sensitive basis."[100] One "promising alternative" suggested by the Board would be a flat, per-line charge assessed against each IXC customers presubscribed interexchange carrier ("PIC").[101]

WorldCom is deeply troubled by the Joint Board's decision to make certain policy recommendations and suggestions regarding interstate access charges. While it is well within the Joint Board's authority to identify, quantify, and eliminate all universal service subsidies now found in interstate access charges,[102] it is WorldCom's position that the issue of how to apportion NTS interstate loop costs between existing access charge mechanisms (such as the SLC and CCL charge) is properly within the Commission's jurisdiction. Indeed, it is likely that this

---

[98] Recommended Decision at paras. 772-73.

[99] Recommended Decision at para. 775.

[100] Recommended Decision at para. 776.

[101] Id.

[102] See WorldCom Comments at 20-25; WorldCom Reply Comments at 20-25.

very issue will be squarely presented in the FCC's upcoming access charge reform proceeding. Commissioner Chong shares this same concern, arguing in her dissent on this issue that the Commission's access charge proceeding is "the proper forum to both analyze and recommend any modifications to the current recovery mechanisms for interstate loop costs."[103] WorldCom urges the Commission to refrain from adopting a specific recommendation in this proceeding pertaining to loop cost recovery.

WorldCom is further troubled by the substance of several of the Joint Board's recommendations. In particular, there is absolutely no basis in the record for the Joint Board to signal the likelihood of a decrease in the SLC. Again, Commissioner Chong has it right when she finds the Joint Board's recommendation to be "bad economic policy that contradicts the Commission's long standing goal to promote economic efficiency and cost causation."[104] The Joint Board's recommendation, if adopted, would shift the NTS costs from the cost causer -- the end user -- to the IXC, resulting in a far less efficient and cost-causative recovery of those costs. The Commission should not adopt this recommendation.

Despite overwhelming record evidence,[105] the Joint Board also fails to state the obvious fact that the CCL charge is a universal service support flow.[106] Instead, the Joint

[103] Separate Statement of Commissioner Chong at 11.

[104] Separate Statement of Commissioner Chong at 12.

[105] See WorldCom Reply Comments at 21.

[106] Recommended Decision at para. 774.

Board makes only vague statements that the CCL may be a subsidy that "in part represent contributions toward universal service."[107] WorldCom urges the Commission to state expressly that the CCLC is an implicit subsidy that must be eliminated. In the Notice of Proposed Rulemaking in this proceeding, the Commission correctly indicated that the current CCL charge "appears to be inconsistent with the directives of the 1996 Act," including the requirement that all subsidies be explicit and recovered from all providers on a nondiscriminatory basis.[108] The Commission has also taken other steps recently in reliance on the subsidy-ridden nature of the CCL. In the Local Interconnection Order, the Commission decided to require purchasers of unbundled network elements to still pay the full CCL charge on a transitional basis because of the Commission's stated concerns about preserving universal service.[109] Thus, the Commission here should acknowledge the obvious -- that the CCL is an implicit subsidy -- and order its immediate elimination.

WorldCom is also surprised and concerned that the Joint Board would suggest that the Commission "consider" ordering the ILECs to recover the CCL charge through a flat-rated CCLC assessed against each customer's PIC. This suggestion (which appears to fall short of a formal recommendation) should not be adopted because it represents a flagrant violation of the 1996 Act. Such a plan is based solely on the PIC, which, as the name itself implies, is wholly

---

[107] Recommended Decision at para. 719.

[108] Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Notice of Proposed Rulemaking, released March 8, 1996, at para. 113.

[109] Local Interconnection Order at para. 720.

unique to interexchange carriers. As a result, only IXCs would be compelled to pay this charge. Other telecommunications providers that impose costs on the public switched network, such as CMRS providers, ILECs, CAPs and CLECs, and others, would not be required to pay this PIC charge. Nor would switchless resellers, which typically do not utilize their own company-specific PICs, pay a PIC-based charge. The Joint Board's suggestion is utterly incompatible with the 1996 Act because it is non-cost-based, discriminatory, and fails to recover costs on a competitively-neutral basis. Indeed, the proposed PIC charge is really nothing more than a flat-rated CCL charge, fraught with all the same subsidies and discriminatory baggage. The IXC should only be charged its portion of actual economic costs to access the end user customer, no more and no less.

Finally, the Joint Board recommends that LTS payments be removed from interstate access charges. However, the Board suggests that the resulting reduction, and the reduction in payphone expenses, should be divided evenly between the CCLC and the SLC. WorldCom opposes this conclusion to "split the difference" with the CCL and SLC because it does not comport with the economic reality that the CCL is a subsidy-ridden charge that must be eliminated. Instead, all reductions must be applied to the non-cost-based CCL.

2. Further Questions

The Public Notice does not ask further questions on this issue.

J. Administration

1. The Recommended Decision

The Joint Board recommends that all carriers that provide interstate telecommunications services -- including CMRS, operator services, access, packet-switched, WATS, toll-free, 900, private line, video, satellite, international, intraLATA, and resale services -- make contributions to the universal service support mechanism.[110] These contributions should be "based on a carrier's gross telecommunications revenues net of payments to other carriers,"[111] and carriers are exempt to the extent their cost of collection exceeds the amount of their contribution.[112] The Board does not express support for mechanisms funded through a retail end-user surcharge because this would "violate the statutory requirement that carriers, not consumers, finance support mechanisms."[113] While the universal service support mechanism for schools and libraries should be funded by assessing both the interstate and intrastate revenues of telecommunications providers, the Board makes no recommendation concerning the appropriate funding base for the high cost and low-income assistance programs.[114] Finally, the Joint Board proposes that the Commission appoint a "universal

---

[110] Recommended Decision at para. 785.

[111] Recommended Decision at para. 807.

[112] Recommended Decision at para. 800.

[113] Recommended Decision at para. 812.

[114] Recommended Decision at para. 817.

service advisory board" to select a neutral third-party administrator through a competitive bidding process.[115]

WorldCom agrees with the Joint Board that the statute requires that all providers of telecommunications services contribute to universal service. It is likely that the question of the application of interstate access charges to enhanced services will be a central issue in the Commission's upcoming access charge reform rulemaking. For purposes of the instant proceeding, WorldCom supports the Joint Board's recommendation that the Commission clarify that ESPs must pay universal service support to the extent they offer telecommunications services. The Commission also should commit itself to reevaluating the definition of information services in light of future technological and regulatory changes.

As WorldCom explained in its reply comments, using an explicit retail surcharge to support universal service comports with the 1996 Act and is the best option suggested in the comments.[116] The Board does not expressly prohibit carriers from utilizing a retail surcharge approach, but does suggest that a surcharge "would violate the statutory requirement that carriers, not consumers, finance support mechanisms."[117] However, this argument completely misses the point that consumers will always pay universal service contribution; the only question is whether it is implicitly included in a carrier's rates, or explicitly delineated on the consumer's

[115] Recommended Decision at paras. 829-830.

[116] WorldCom Reply Comments at 16-17.

[117] Recommended Decision at para. 812.

bill as part of its service charges. WorldCom believes that anything other than a line item on a customer bill is an implicit charge which does not conform with the Act's express and unwaivable requirement of a "specific and predictable" support mechanism that is also "explicit and sufficient." Commissioner Schoenfelder agrees, stating in her dissent on this point that "[c]onsumers are entitled to be made aware of the charges that they are paying to support the recommendations made herein."[118] The Commissioner concludes that carriers should be allowed to provide "explicit notification on customers' bills about the charges assessed to fund these programs."[119] Federal constitutional concerns are also raised where the Commission prohibits carriers from fully recovering their universal service expenses through a retail surcharge labelled and described in the carriers' own language.[120]

WorldCom also strongly supports using an explicit retail surcharge that is based on both interstate and intrastate revenues for the schools and libraries program. This policy comports with the language and intent of the Act, and correctly anticipates the future erosion of these artificial lines.[121] Barring adoption of a retail revenue surcharge, WorldCom agrees with the Joint Board that contributions should be based on a carrier's total gross revenues less

[118] Separate Statement of Commissioner Schoenfelder at 7.

[119] Id.

[120] One could also argue that universal service contributions essentially constitute a tax that must be disclosed to the public, especially where provided to schools, libraries, and health care providers.

[121] If the SLC is decreased as a result, the Commission should consider earmarking the excess funds to subsidize the schools and libraries programs.

payments to other carriers.

Finally, WorldCom supports the Joint Board's recommendation on the selection of an independent third party administrator. Appointing a balanced and objective universal service advisory board is key to the ultimate selection of a neutral third-party administrator.

2. Further Questions

The Public Notice asks whether contributions for high cost and low-income supports mechanisms should be based on the intrastate and interstate revenues of the supporting carriers.

WorldCom strongly supports contributions for high cost and low-income support mechanisms based on intrastate and interstate revenues. Commissioner Ness argues persuasively that a federal program based on both interstate and intrastate revenues gives the full measure of support needed for residents and businesses in high cost and rural areas, and low-income consumers.[122] Commissioner Chong also supports using interstate and intrastate revenues, citing the need for a national system, Congress' intent, and the inevitable blurring of jurisdictional lines in the near future.[123] WorldCom agrees. Section 254 of the 1996 establishes a national universal service program, one designed to support all consumers regardless of outworn jurisdictional distinctions. It will become increasingly more difficult to

---

[122] Separate Statement of Commissioner Ness at 3.

[123] Separate Statement of Commissioner Chong at 12-13.

identify and separate out interstate and intrastate revenues as the entire telecommunications market evolves toward a one-stop shopping model. Jurisdictional lines will begin to blur, and eventually disappear, in such a world. Moreover, combining interstate and intrastate revenues will reduce the incentives for carriers to withdraw from serving states, and will prevent arbitrage by carriers shifting revenues between jurisdictions to avoid universal service contributions. In addition, a sizable portion of implicit subsidies today comes from intrastate services such as local business services, vertical services, and intrastate access. Finally, combining interstate and intrastate revenues comports with the competitive neutrality principle because all carriers -- from CMRS providers to ILECs -- will be burdened in the same manner.

The Joint Board points out that allowing a funding mechanism to include intrastate and interstate revenues does not preclude the states from having a mechanism based on intrastate revenues only.[124] WorldCom agrees that, as a practical matter, adding intrastate revenues to the federal program should not have any effect on a state's jurisdiction over interstate revenues. States would still possess the authority the state legislature gave them to change intrastate rates and to set up their own intrastate universal service mechanism. Whether states could reach a carrier's interstate revenues, however, is a legal question beyond the Commission's authority to decide.

[124] Recommended Decision at paras. 821-822.

III. CONCLUSION

The Commission should act in accordance with the recommendations proposed above, and the earlier comments filed by WorldCom in this proceeding.

Respectfully submitted,

Catherine R. Sloan
Richard L. Fruchterman
Richard S. Whitt

WorldCom, Inc.
1120 Connecticut Avenue, N.W.
Suite 400
Washington, D.C. 20036
(202) 776-1550

Its Attorneys

December 19, 1996